



MIAMI BEACH REDEVELOPMENT AGENCY
(A Component Unit of the City of Miami Beach, Florida)

Financial Statements

September 30, 2003

(With Independent Auditors' Report Thereon)

MIAMI BEACH REDEVELOPMENT AGENCY
(A Component Unit of the City of Miami Beach, Florida)

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Independent Auditors' Report

The Board Members of the
Miami Beach Redevelopment Agency:

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Miami Beach Redevelopment Agency (the Agency), a component unit of the City of Miami Beach, Florida (the City), as of and for the year ended September 30, 2003, which collectively comprise the Agency's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Agency, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2004 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



The management's discussion and analysis on pages 3 through 15, and the budgetary comparison schedule on pages 41 and 42 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

January 9, 2004

MIAMI BEACH REDEVELOPMENT AGENCY
Management's Discussion and Analysis (MD&A) (Unaudited)
September 30, 2003

The Management's Discussion & Analysis (MD&A) of the Miami Beach Redevelopment Agency (the Agency) is intended to provide an overview of the Agency's position and results of operations for the fiscal year ended September 30, 2003. The MD&A is one of the elements of the reporting model required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis — for State and Local Governments* issued in 1999. The MD&A should be read in conjunction with the Agency's financial statements, including the accompanying notes, to enhance the understanding of the Agency's financial performance.

Financial Highlights

- The assets of the Agency exceeded its liabilities at the close of the most recent fiscal year by \$51.8 million. Of this amount, \$24.2 million (unrestricted net assets) may be used to meet the Agency's ongoing obligations to citizens and creditors.
- The Agency's net assets increased by \$10.4 million.
- At the end of the current fiscal year the unreserved fund balance for the general fund was \$23.5 million.
- The Agency's total long-term liabilities decreased \$3.8 million (3.6%) during the current year. This was due to making the required principal payment with no new debt added this fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements, which have the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The statement of activities presents information showing how the Agency's net assets changed during each fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements listed above distinguish functions of the Agency that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their cost through user fees and charges. The governmental activities of the Agency include general government and economic environment. The business-type activity of the Agency includes the parking and leasing operations of the Anchor Garage and Anchor Shops, respectively.

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The government-wide financial statements include only the financial activities of the Agency. However, the Agency is considered a component unit of the City of Miami Beach, Florida, and as such, the financial information of the Agency is included in the City's Comprehensive Annual Financial Report for the current fiscal year.

The government-wide financial statements can be found on pages 16-17 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of a fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The Agency maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, South Pointe debt service fund, City Center debt service fund, South Pointe capital projects fund, and City Center capital projects fund which are considered to be major funds. For the current fiscal year, the Agency does not have any nonmajor governmental funds.

Proprietary Funds

The Agency maintains two different types of proprietary funds or enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Agency uses enterprise funds to account for the parking and leasing operations of the Anchor Garage and Anchor Shops, respectively.

Proprietary funds provide the same type information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for parking and leasing of the Anchor Garage/Shops, which are considered to be major funds of the Agency. For the current fiscal year, the Agency does not have any nonmajor proprietary funds.

The basic proprietary fund financial statements can be found on pages 22-24 of this report.

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Management's Discussion and Analysis (MD&A) (Unaudited)

September 30, 2003

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 25 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by \$51.8 million at the close of the most recent fiscal year, an increase of \$10.4 million from September 30, 2002.

The basic financial statements include a reconciliation between the fiscal year 2003 governmental funds statement of revenues, expenditures, and changes in fund balances which reports an increase of \$2.6 million in fund balances and the reported increase in the excess of assets over liabilities reported in the government-wide statement of activities of \$9.6 million, a difference of \$7 million.

Key elements of the reconciliation of these two statements are that the government-wide statement of activities report the issuance of debt as a liability, the purchases of capital assets as assets which are then charged to expense over their useful lives (depreciated) and changes in long-term liabilities as adjustments of expenses. Conversely the governmental funds statements report the issuance of debt as an other financing source of funds, the repayment of debt as an expenditure, the purchase of capital assets as an expenditure and do not reflect changes in long-term liabilities.

A large portion of the Agency's net assets (47%) reflects its unrestricted net assets. Another portion of the Agency's net assets (39%) reflects its investment in capital assets (e.g., land, building, and construction in progress), less any related debt used to acquire those assets that are still outstanding. The Agency uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Agency's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

MIAMI BEACH REDEVELOPMENT AGENCY
Management's Discussion and Analysis (MD&A) (Unaudited)
September 30, 2003

Summary of Net Assets
September 30, 2003 and 2002
(In thousands)

	Governmental activities		Business-type activities		Total	
	2003	2002	2003	2002	2003	2002
Current and other assets	\$ 43,098	40,164	3,799	2,614	46,897	42,778
Capital assets	98,481	95,323	13,973	14,402	112,454	109,725
Total assets	141,579	135,487	17,772	17,016	159,351	152,503
Long-term liabilities outstanding	102,924	106,735	57	55	102,981	106,790
Other liabilities	4,478	4,183	43	69	4,521	4,252
Total liabilities	107,402	110,918	100	124	107,502	111,042
Net assets:						
Invested in capital assets, net of related debt	6,311	2,073	13,973	14,402	20,284	16,475
Restricted	7,364	7,044	—	—	7,364	7,044
Unrestricted	20,502	15,452	3,699	2,490	24,201	17,942
Total net assets	\$ 34,177	24,569	17,672	16,892	51,849	41,461

An additional portion of the Agency's net assets (14%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$24.2 million) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Agency is able to report positive balances in all three categories of net assets, both for the Agency as a whole, as well as for its separate governmental and business-type activities.

MIAMI BEACH REDEVELOPMENT AGENCY
Management's Discussion and Analysis (MD&A) (Unaudited)
September 30, 2003

Governmental Activities

Governmental activities increased the Agency's net assets by \$9.6 million, thereby accounting for 92% of the total growth in the net assets of the Agency. Key elements of these changes are as follows:

Summary of Changes in Net Assets
Year ended September 30, 2003
(In thousands)

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,456	2,318	3,774
General revenues:			
Taxes:			
Property taxes	23,705	—	23,705
Resort taxes	2,015	—	2,015
Investment earnings	172	12	184
Miscellaneous	—	1	1
Total revenues	<u>27,348</u>	<u>2,331</u>	<u>29,679</u>
Expenses:			
General government	2,247	—	2,247
Economic environment	7,120	—	7,120
Parking-Anchor Garage	—	1,424	1,424
Leases-Anchor Shops	—	127	127
Interest on long-term debt	8,373	—	8,373
Total expenses and transfers	<u>17,740</u>	<u>1,551</u>	<u>19,291</u>
Change in net assets	9,608	780	10,388
Net assets – beginning	<u>24,569</u>	<u>16,892</u>	<u>41,461</u>
Net assets – end	<u>\$ 34,177</u>	<u>17,672</u>	<u>51,849</u>

- Property taxes increased by \$3.0 million (14.3%) during the year. This is attributed to an increase in taxable real property value from \$2.3 billion to \$2.8 billion.
- The annual percentage rent collected from one of the Agency's rental tenants increased approximately \$647,000 as a result of stipulation in the rental contract.

MIAMI BEACH REDEVELOPMENT AGENCY
Management's Discussion and Analysis (MD&A) (Unaudited)
September 30, 2003

Summary of Changes in Net Assets
Year ended September 30, 2002
(In thousands)

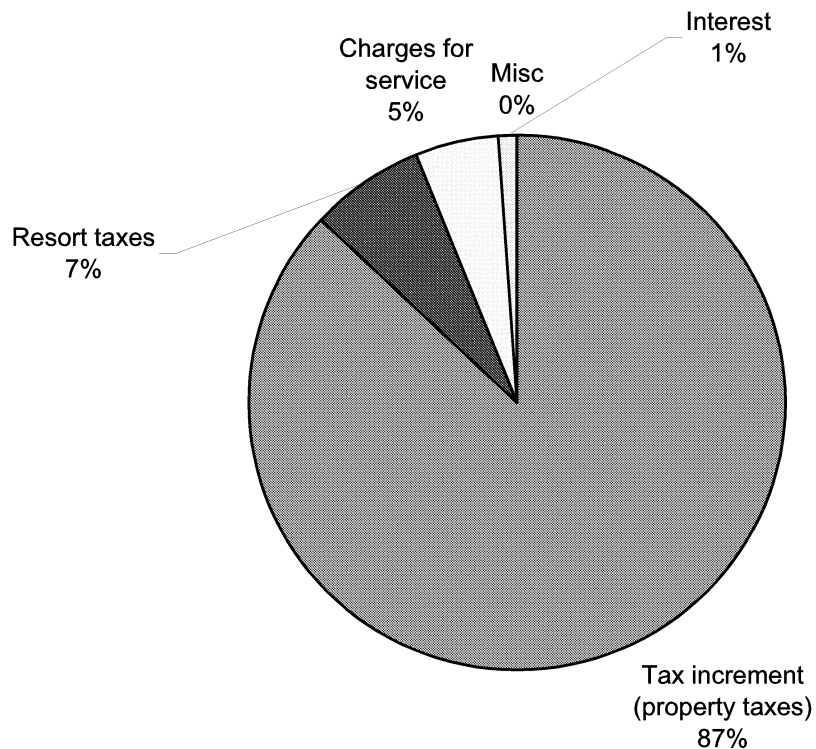
	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
Revenues:			
Program revenues:			
Charges for services	\$ 665	2,472	3,137
General revenues:			
Taxes:			
Property taxes	20,731	—	20,731
Resort taxes	1,815	—	1,815
Investment earnings	364	—	364
Miscellaneous	42	11	53
Total revenues	<u>23,617</u>	<u>2,483</u>	<u>26,100</u>
Expenses:			
General government	1,414	—	1,414
Economic environment	1,536	—	1,536
Parking-Anchor Garage	—	1,530	1,530
Leases-Anchor Shops	—	237	237
Interest on long-term debt	10,107	—	10,107
Total expenses and transfers	<u>13,057</u>	<u>1,767</u>	<u>14,824</u>
Change in net assets	10,560	716	11,276
Net assets – beginning	<u>14,009</u>	<u>16,176</u>	<u>30,185</u>
Net assets – end	<u>\$ 24,569</u>	<u>16,892</u>	<u>41,461</u>

- Property taxes increased in the general fund by \$3.4 million (19.3%) during the year. This is attributed to an increase in taxable real property value from \$2.0 billion to \$2.3 billion.
- The annual percentage rent collected from one of Agency's rental tenants decrease \$2.2 million or 81% as a result of stipulations in the rental contract.
- Interest income decreased by approximately \$766,000 or 68% as a result of a significant drop in interest rates.

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September 30, 2003

The following chart shows the amounts of program and general revenues for fiscal year 2003:

Revenues by Source – Governmental Activities
Year ended September 30, 2003



Business-Type Activities

Business-type activities increased the Agency's net assets by \$780,000 or 7.5%.

Key elements of this increase are as follows:

- The Anchor Garage net assets increased by approximately \$212,000, as a result of maintaining operating expenses lower in relation to the revenue generated.
- The Anchor Shops net assets increase by approximately \$568,000, as a result of maintaining operating expenses lower in relation to the revenue generated.

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The following chart shows a comparison of expenses to program revenues for business-type activities for fiscal year 2003:

Expenses and Program Revenues – Business-type Activities
September 30, 2003



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Management's Discussion and Analysis (MD&A) (Unaudited)

September 30, 2003

Financial Analysis of the Governmental Funds

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The table below summarizes the changes in the fund balances of the Agency's governmental funds.

Governmental Funds

(In thousands)

	<u>General</u>	<u>Debt Service South Pointe</u>	<u>Debt Service City Center</u>	<u>Capital Projects South Pointe</u>	<u>Capital Projects City Center</u>	<u>Total governmental funds</u>
Fund balances September 30, 2002	\$ 19,457	1,492	7,532	—	9,866	38,347
Revenues	25,188	11	60	—	75	25,334
Expenditures	(6,062)	(846)	(13,678)	(1,072)	(3,119)	(24,777)
Other financing sources (uses)	(15,044)	857	13,655	1,072	1,475	2,015
Fund balances September 30, 2003	<u>\$ 23,539</u>	<u>1,514</u>	<u>7,569</u>	<u>—</u>	<u>8,297</u>	<u>40,919</u>

Governmental Funds

The focus of the Agency's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Agency. At the end of the current fiscal year, unreserved fund balance of the general fund was \$23.4 million, while total fund balance reached \$23.5 million.

The fund balance of the Agency's general fund increased by \$4.1 million during the current fiscal year. A key factor in this increase was an increase of \$3.0 million in tax increment revenues (property taxes) collected from the Country and the City of Miami Beach. Another factor attributed to the increase the Agency's general fund balance was an increase of approximately \$650,000 in the amount of percentage rent collected from one of the Agency's tenants.

The Agency's General Fund is required to adopt an annual budget prepared on a basis consistent with generally accepted accounting principles.

The Agency's Capital Projects Fund accounts for the financing of the Agency's capital program. The primary resource is obtained from the issuance of Agency debt.

Proprietary Funds

The Agency's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

MIAMI BEACH REDEVELOPMENT AGENCY

Management's Discussion and Analysis (MD&A) (Unaudited)

September 30, 2003

The total growth in net assets for both enterprise funds was \$780,000. Other factors concerning the finances of these funds have already been addressed in the discussion of the Agency's business-type activities.

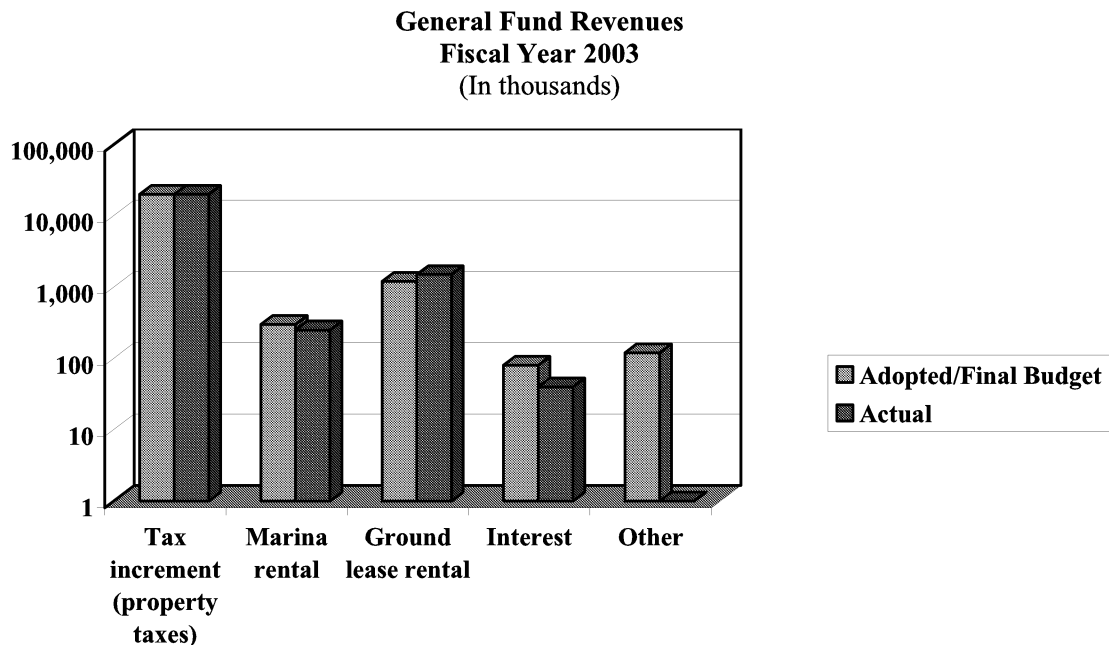
Budgetary Highlights

The following information is presented to assist the reader in comparing the original/final budget (Adopted Budget) and the actual results.

General Fund Revenues

The major variances between the adopted/final budget and actual are in the ground lease rental income and the tax increment funding (property taxes). The variance of \$320,000 or 32% in ground lease rental income is attributed to the net effect of one tenant paying an additional \$650,000 in rent as stipulated in the rental agreement netted with the nonpayment of rent of \$327,000 by another tenant due to a litigation issue. The variance of \$265,000 in tax increment funding is a result of a 2001 overpayment by the City of Miami Beach to the Agency that was deducted in the current year's payment. Overall, there was only a \$93,000 variance between the total adopted/final budget and the actual revenue.

The following charts and tables summarize actual revenues by category for fiscal years 2003 and compares actual revenues with the Adopted/Final Budget.



MIAMI BEACH REDEVELOPMENT AGENCY
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September 30, 2003

General Fund Revenues
Fiscal Year 2003
(In thousands)

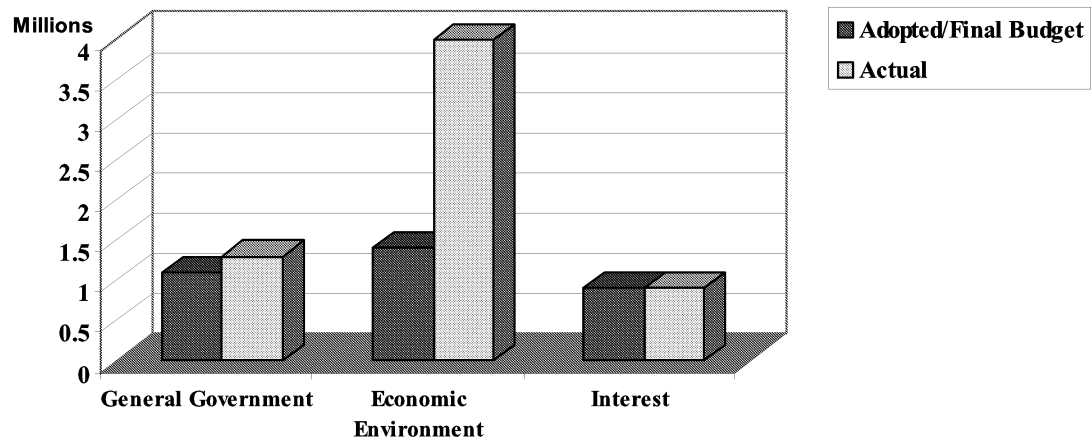
	<u>Adopted/final budget</u>	<u>Actual</u>
Revenues:		
Tax increment (property taxes)	\$ 23,970	23,705
Marina rental	182	146
Ground lease rental	990	1,310
Interest income	47	26
Other	92	1
Total revenues	<u>\$ 25,281</u>	<u>25,188</u>

General Fund Expenditures

The major variance between the adopted/final budget and actual expenditures is in economic environment of which \$2.7 million or 93% of the variance relates to payments made to satisfy a settlement between the Agency and a developer.

The following charts and tables summarize actual expenditures by function/program for fiscal year 2003 and compare the actual expenditures with the Adopted/Final Budget.

General Fund Expenditures
Fiscal Year 2003



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General Fund Expenditures
Year 2003
(In thousands)

	<u>Adopted/final budget</u>	<u>Actual</u>
General government	\$ 1,000	1,214
Economic environment	1,230	3,938
Interest	910	910
Total expenditures	<u>\$ 3,140</u>	<u>6,062</u>

Capital Assets and Debt Administration

Capital Assets

The Agency's investment in capital assets for its governmental and business-type activities as of September 30, 2003 amounts to \$112 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and structures, and construction work-in-progress, which are detailed as follows (net of accumulated depreciation):

	<u>Governmental</u>	<u>Capital assets Business-type</u>	<u>Total</u>
		(In thousands)	
Land	\$ 49,851	3,003	52,854
Land improvements	2,567	—	2,567
Buildings and structures	32,228	10,971	43,199
Construction work-in-progress	13,835	—	13,835
Total	<u>\$ 98,481</u>	<u>13,974</u>	<u>112,455</u>

The Agency has developed various capital improvement programs to improve the quality of life for the residents of the City of Miami Beach. Major projects include streetscape improvements, restoration of the Colony Theater, Collins Park Cultural Center, Beachwalk, and the Baywalk. Additional information on the Agency's capital assets can be found in the notes to the financial statements.

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Long-Term Debt

At the end of the current fiscal year, the Agency had a total debt outstanding in the governmental activities of \$103 million. This debt was reduced by \$3.8 million (3.6%) during the year. This reduction was due to principal payments.

**Miami Beach Redevelopment Agency's
Outstanding Debt Tax Increment Revenue Bonds and Due to Developer**
(In thousands)

	Governmental activities	
	2003	2002
Tax increment revenue bonds	\$ 97,960	100,830
Due to developer	4,964	5,905
Total	<u>\$ 102,924</u>	<u>106,735</u>

Requests for Information

This financial report is designed to provide a general overview of the Miami Beach Redevelopment Agency's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to The Miami Beach Redevelopment Agency, Finance Department, 1700 Convention Center Drive, Miami Beach, Florida 33139.

MIAMI BEACH REDEVELOPMENT AGENCY
(A Component Unit of the City of Miami Beach, Florida)

Statement of Net Assets

September 30, 2003

Assets	Governmental activities	Business-type activities	Total
Current assets:			
Cash and investments	\$ 33,643,073	3,143,715	36,786,788
Restricted cash and cash equivalents	9,079,503	57,440	9,136,943
Receivables (net):			
Rent	41,667	343,171	384,838
Accounts receivables	—	78,019	78,019
Interest	7,577	—	7,577
Due from primary government	255,909	—	255,909
Prepaid expenses	70,643	176,821	247,464
Total current assets	43,098,372	3,799,166	46,897,538
Noncurrent assets:			
Capital assets:			
Land	49,850,853	3,003,281	52,854,134
Land improvements	2,742,552	—	2,742,552
Buildings and structures	34,840,724	12,855,648	47,696,372
Construction in progress	13,835,422	—	13,835,422
Total capital assets	101,269,551	15,858,929	117,128,480
Less accumulated depreciation	(2,788,075)	(1,885,431)	(4,673,506)
Total capital assets, net of accumulated depreciation	98,481,476	13,973,498	112,454,974
Total noncurrent assets	98,481,476	13,973,498	112,454,974
Total assets	141,579,848	17,772,664	159,352,512
Liabilities			
Current liabilities:			
Accounts payable	1,060,063	19,792	1,079,855
Accrued expenses	2,499,859	23,209	2,523,068
Due to primary government	676,311	—	676,311
Deposits	242,000	—	242,000
Portion due or payable within one year:			
Due to developer	2,378,889	—	2,378,889
Bonds payable	3,070,000	—	3,070,000
Total current liabilities	9,927,122	43,001	9,970,123
Long-term liabilities:			
Liabilities payable from restricted assets	—	57,440	57,440
Portion due or payable after one year:			
Bonds payable	94,890,000	—	94,890,000
Due to developer	2,585,375	—	2,585,375
Total long-term liabilities	97,475,375	57,440	97,532,815
Total liabilities	107,402,497	100,441	107,502,938
Net Assets			
Invested in capital assets, net of related debt	6,311,656	13,973,498	20,285,154
Restricted for:			
Debt service	4,857,159	—	4,857,159
Capital projects	2,506,572	—	2,506,572
Unrestricted	20,501,964	3,698,725	24,200,689
Total net assets	\$ 34,177,351	17,672,223	51,849,574

See accompanying notes to financial statements.

MIAMI BEACH REDEVELOPMENT AGENCY
(A Component Unit of the City of Miami Beach, Florida)

Statement of Activities

Year ended September 30, 2003

	Expenses	Program revenues Charges for services	Net (expense) revenue and changes in net assets		
			Governmental activities	Business-type activities	Total
Activities:					
Governmental:					
General government	\$ 2,247,230	1,455,891	(791,339)	—	(791,339)
Economic environment	7,120,090	—	(7,120,090)	—	(7,120,090)
Interest on long-term debt	8,373,394	—	(8,373,394)	—	(8,373,394)
Total governmental activities	17,740,714	1,455,891	(16,284,823)	—	(16,284,823)
Business-type:					
Parking – anchor garage	1,424,162	1,628,765	—	204,603	204,603
Leases – anchor shops	126,562	689,604	—	563,042	563,042
Total business-type activities	1,550,724	2,318,369	—	767,645	767,645
Totals	\$ 19,291,438	3,774,260	(16,284,823)	767,645	(15,517,178)
General revenues:					
Taxes:					
Tax increments for redevelopment districts			23,705,214	—	23,705,214
Resort taxes			2,015,326	—	2,015,326
Interest			171,708	11,987	183,695
Miscellaneous			498	936	1,434
Total general revenues			25,892,746	12,923	25,905,669
Changes in net assets			9,607,923	780,568	10,388,491
Net assets – beginning			24,569,428	16,891,655	41,461,083
Net assets – ending			\$ 34,177,351	17,672,223	51,849,574

See accompanying notes to financial statements.

MIAMI BEACH REDEVELOPMENT AGENCY
(A Component Unit of the City of Miami Beach, Florida)

Balance Sheet

Governmental Funds

September 30, 2003

Assets	General fund	Debt Service South Pointe	Debt Service City Center	Capital Projects South Pointe	Capital Projects City Center	Total Governmental Funds
Cash and investments	\$ 23,859,716	1,513,102	7,566,401	538,318	9,245,039	42,722,576
Receivables:						
Interest	—	670	3,311	—	3,596	7,577
Due from primary government	255,909	—	—	—	—	255,909
Rent	41,667	—	—	—	—	41,667
Prepaid expense	62,388	—	—	—	8,255	70,643
Total assets	\$ 24,219,680	1,513,772	7,569,712	538,318	9,256,890	43,098,372
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 403,786	—	—	139,201	517,076	1,060,063
Accrued expenses	765	—	—	—	200,268	201,033
Due to the primary government	34,400	—	—	399,117	242,794	676,311
Deposits	242,000	—	—	—	—	242,000
Total liabilities	680,951	—	—	538,318	960,138	2,179,407
Fund balances:						
Reserved for:						
Prepays	62,388	—	—	—	8,255	70,643
Debt service	—	1,513,772	7,569,712	—	—	9,083,484
Capital projects	—	—	—	—	8,288,497	8,288,497
Unreserved	23,476,341	—	—	—	—	23,476,341
Total fund balances	23,538,729	1,513,772	7,569,712	—	8,296,752	40,918,965
Total liabilities and fund balances	\$ 24,219,680	1,513,772	7,569,712	538,318	9,256,890	43,098,372

See accompanying notes to financial statements.

MIAMI BEACH REDEVELOPMENT AGENCY
(A Component Unit of the City of Miami Beach, Florida)

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets

September 30, 2003

Total fund balances for governmental funds		\$	<u>40,918,965</u>
Total net assets reported for governmental activities in the statement of net assets is different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Those assets consist of:			
Land	\$	49,850,853	
Land improvements, net of \$175,020 accumulated depreciation		2,567,532	
Buildings, net of \$2,613,055 accumulated depreciation		32,227,669	
Construction in progress		<u>13,835,422</u>	
Total capital assets			<u>98,481,476</u>
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.			
Balances at September 30, 2003 are:			
Accrued interest on bonds		(2,298,826)	
Bonds payable		(97,960,000)	
Due to developer		<u>(4,964,264)</u>	
Total long-term liabilities			<u>(105,223,090)</u>
Total net assets of governmental activities	\$		<u><u>34,177,351</u></u>

See accompanying notes to financial statements.

MIAMI BEACH REDEVELOPMENT AGENCY
(A Component Unit of the City of Miami Beach, Florida)
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

Year ended September 30, 2003

	General fund	Debt Service South Pointe	Debt Service City Center	Capital Projects South Pointe	Capital Projects City Center	Total Governmental Funds
Revenues:						
Tax increment	\$ 23,705,214	—	—	—	—	23,705,214
Rent	1,455,891	—	—	—	—	1,455,891
Interest	25,995	11,086	60,058	—	74,569	171,708
Other	498	—	—	—	—	498
Total revenues	25,187,598	11,086	60,058	—	74,569	25,333,311
Expenditures:						
Current:						
General government	1,214,373	—	—	—	2,219	1,216,592
Economic environment	3,938,055	—	4,122,917	—	—	8,060,972
Debt service:						
Principal	—	675,000	2,195,000	—	—	2,870,000
Interest	910,098	170,866	7,359,772	—	—	8,440,736
Capital outlay	—	—	—	1,072,141	3,116,825	4,188,966
Total expenditures	6,062,526	845,866	13,677,689	1,072,141	3,119,044	24,777,266
Excess of revenues over (under) expenditures	19,125,072	(834,780)	(13,617,631)	(1,072,141)	(3,044,475)	556,045
Other financing sources (uses):						
Transfers in	1,790,316	857,050	13,654,926	1,072,141	3,265,342	20,639,775
Transfers out	(18,849,459)	—	—	—	(1,790,316)	(20,639,775)
Transfers in from primary government	2,015,326	—	—	—	—	2,015,326
Total other financing sources (uses)	(15,043,817)	857,050	13,654,926	1,072,141	1,475,026	2,015,326
Net change in fund balances	4,081,255	22,270	37,295	—	(1,569,449)	2,571,371
Fund balances at beginning of year	19,457,474	1,491,502	7,532,417	—	9,866,201	38,347,594
Fund balances at end of year	\$ 23,538,729	1,513,772	7,569,712	—	8,296,752	40,918,965

See accompanying notes to financial statements.

MIAMI BEACH REDEVELOPMENT AGENCY
(A Component Unit of the City of Miami Beach, Florida)

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities

Year ended September 30, 2003

Net change in fund balances – total governmental funds	\$ 2,571,371
The change in net assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$4,188,966) exceed depreciation (\$755,699) in the current period	
	3,433,267
Repayment of principal is reported as an expenditure in the governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the Agency as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities	
Repayments:	
Principal – debt service	2,870,000
Principal – due to developer	940,882
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental activities section of the statement of net assets:	
Disposal of fixed assets	(274,939)
Reduction in accrued interest on bonds	67,342
Change in net assets of governmental activities	<u>\$ 9,607,923</u>

See accompanying notes to financial statements.

MIAMI BEACH REDEVELOPMENT AGENCY
(A Component Unit of the City of Miami Beach, Florida)

Statement of Net Assets
Enterprise Funds

September 30, 2003

Assets	Business-type activities Enterprise Funds		
	Parking Fund	Leasing Fund	Total
Current assets:			
Cash and investments	\$ 1,894,839	1,248,876	3,143,715
Restricted cash and cash equivalents	5,210	52,230	57,440
Receivables:			
Rent, net of allowance	—	343,171	343,171
Accounts receivables	76,322	1,697	78,019
Prepaid expenses	7,000	169,821	176,821
Total current assets	1,983,371	1,815,795	3,799,166
Noncurrent assets:			
Capital assets:			
Land	2,793,051	210,230	3,003,281
Buildings and structures	11,955,752	899,896	12,855,648
Less accumulated depreciation	(1,753,451)	(131,980)	(1,885,431)
Total capital assets (net of accumulated depreciation)	12,995,352	978,146	13,973,498
Total noncurrent assets	12,995,352	978,146	13,973,498
Total assets	14,978,723	2,793,941	17,772,664
Liabilities			
Current liabilities:			
Accounts payable	19,792	—	19,792
Accrued expenses	19,074	4,135	23,209
Total current liabilities	38,866	4,135	43,001
Noncurrent liabilities:			
Liabilities payable from restricted assets	5,210	52,230	57,440
Total noncurrent liabilities	5,210	52,230	57,440
Total liabilities	44,076	56,365	100,441
Net Assets			
Invested in capital assets, net of related debt	12,995,352	978,146	13,973,498
Unrestricted	1,939,295	1,759,430	3,698,725
Total net assets	\$ 14,934,647	2,737,576	17,672,223

See accompanying notes to financial statements.

MIAMI BEACH REDEVELOPMENT AGENCY
(A Component Unit of the City of Miami Beach, Florida)

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Enterprise Funds

Year ended September 30, 2003

	Business-type activities		
	Enterprise Funds		
	Parking Fund	Leasing Fund	Total
Operating revenues:			
Charges for services	\$ 1,628,765	689,604	2,318,369
Interest	7,150	4,837	11,987
Other	643	293	936
Total operating revenues	1,636,558	694,734	2,331,292
Operating expenses:			
Contractual services	669,572	80,614	750,186
Depreciation	398,525	29,997	428,522
Other operating	356,065	15,951	372,016
Total operating expenses	1,424,162	126,562	1,550,724
Operating income	212,396	568,172	780,568
Total net assets – beginning	14,722,251	2,169,404	16,891,655
Total net assets – ending	\$ 14,934,647	2,737,576	17,672,223

See accompanying notes to financial statements.

MIAMI BEACH REDEVELOPMENT AGENCY
(A Component Unit of the City of Miami Beach, Florida)

Statement of Cash Flows
Enterprise Funds

Year ended September 30, 2003

	Business-type activities		
	Enterprise Funds		
	Parking Fund	Leasing Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 1,588,986	649,893	2,238,879
Cash paid to suppliers	(1,048,269)	(105,186)	(1,153,455)
Net cash provided by operating activities	540,717	544,707	1,085,424
Net increase in cash and equivalents	540,717	544,707	1,085,424
Cash and investments – beginning of year	1,359,332	756,399	2,115,731
Cash and investments – end of year	\$ 1,900,049	1,301,106	3,201,155
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 212,396	568,172	780,568
Adjustments to reconcile operating income to cash provided by operating activities:			
Depreciation	398,525	29,997	428,522
Provision for uncollectible accounts	—	(58,915)	(58,915)
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(49,653)	14,075	(35,578)
(Increase) decrease in prepaid expense	492	(5,631)	(5,139)
Increase (decrease) in accounts payable	(8,404)	(3,341)	(11,745)
Increase in accrued expenses	6,767	350	7,117
Increase in deposits	2,080	—	2,080
Increase (decrease) in due to other funds	(21,486)	—	(21,486)
Total adjustments	328,321	(23,465)	304,856
Net cash provided by operating activities	\$ 540,717	544,707	1,085,424

See accompanying notes to financial statements.

MIAMI BEACH REDEVELOPMENT AGENCY
(A Component Unit of the City of Miami Beach, Florida)

Notes to Financial Statements

September 30, 2003

(1) Summary of Significant Accounting Policies

(a) *Reporting Entity*

In February 1976, the Miami Beach Redevelopment Agency (the Agency) was formed by the City of Miami Beach, Florida (the City) under the provisions of Chapter 163 of the Florida Statutes.

The Agency's stated purpose is to spur development and redevelopment in the South Shore area of the City an area, which includes approximately 250 acres at the southern tip of the City, and a redevelopment area called the City Center/Historic Convention Village Redevelopment and Revitalization Area. Subsequent to its inception, in March 1977, the City adopted the Agency's redevelopment plan which provided for the construction of residential housing, hotels, a marina, and commercial, recreational and entertainment facilities.

Because of the desire of the City commission to revise the concepts for redevelopment of the South Shore area, on December 17, 1982, the City commission declared itself to be, and to constitute, the Agency. This action resulted in the City commissioners becoming the new Agency's Board Members and the City manager becoming the executive director of the Agency. The Agency meets the criteria for inclusion in the City's reporting entity as a component unit and therefore has been reported in the basic financial statements of the City.

The City Center/Historic Convention Village Redevelopment and Revitalization Area was formed in the same manner as the South Shore Area. In March 1993, the City adopted the Agency's redevelopment plan for the City Center/Historic Convention Village Redevelopment and Revitalization Area which called for the revitalization of the blighted area surrounding the Miami Beach Convention Center and Lincoln Road.

The City has expended certain of its funds prior to and subsequent to the inception of the Agency for various projects which have benefited the redevelopment area. These expenditures have been recorded in the accounting records of the City and, accordingly, are not reflected in the accompanying financial statements of the Agency.

Effective October 1, 1998, the Agency established the use of proprietary funds to account for its business-type activities, accordingly the operations of the Agency's parking and leasing activities are accounted for in separate enterprise funds.

The financial statements presented herein, are those of the Agency, and are not intended to be a complete presentation of the financial position of the City, and the results of its operations and cash flows of its proprietary funds in conformity with accounting principles generally accepted in the United States of America.

(b) *Government-wide and Fund Financial Statements*

The government-wide financial statements report information on all of the nonfiduciary activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on

MIAMI BEACH REDEVELOPMENT AGENCY
(A Component Unit of the City of Miami Beach, Florida)

Notes to Financial Statements

September 30, 2003

fees and charges for support. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns reflect a full accrual, economic resource basis, which incorporates long-term assets as well as long-term debt and obligations.

The statement of activities demonstrates the degree to which the direct expenses of a given functional category are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific functional category. The Agency's program revenue consist of charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given functional category. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The governmental funds major funds statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner that these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statement's governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation.

(c) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, is the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, are recorded only when payment is due.

(i) *Governmental Funds*

Governmental funds are accounted for on a financial-flow measurement basis. Only current assets and current liabilities are generally included on their balance sheet. Their operating statements present sources (revenue and other financing sources) and uses (expenditures and other financing uses) of available spendable resources during the period.

The modified accrual basis of accounting is used for all governmental fund types. Under this method, revenue amounts are recorded when they are both measurable and available. "Measurable" means that the amount of a transaction can be determined, and "available" means that the amount of the transaction is collectible within the current period or soon

MIAMI BEACH REDEVELOPMENT AGENCY
(A Component Unit of the City of Miami Beach, Florida)

Notes to Financial Statements

September 30, 2003

enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when goods or services are received and actual liabilities are incurred.

The Agency reports the following major governmental funds:

- The general fund is the general operating fund of the Agency. All financial resources, except those required to be accounted for in another fund, are accounted for in the general fund.
- The South Pointe debt service fund is used to account for the accumulation of resources for the payment of general long-term debt, principal, interest, and related costs associated with the South Pointe District but does not include the amount due to the developer.
- The City Center debt service fund is used to account for the accumulation of resources for the payment of general long-term debt, principal, interest, and related costs associated with the City Center District.
- The South Pointe capital projects fund account for financial resources to be used for the acquisition or construction of major capital facilities within the South Pointe District.
- The City Center capital projects fund account for financial resources to be used for the acquisition or construction of major capital facilities within the City Center District.

(ii) Proprietary Funds

Proprietary funds are accounted for on an economic resources measurement focus. Revenue is recognized as earned, and expenses are recorded as incurred. The government applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 in accounting and reporting its proprietary operations. In accordance with the Governmental Accounting Standards Board (GASB), the Agency has elected not to apply FASB pronouncements issued after that date to its proprietary operations. All assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund measurement focus is on determination of net income, financial position, and changes in cash flows.

The Agency reports the following major proprietary funds:

- The Parking Fund accounts for the parking operations of the Anchor Garage, which is located within the City Center District.
- The Leasing Fund accounts for the leasing operations of the Anchor Shops, which included seven tenants during the current fiscal year. The Anchor Shops are also located within the City Center District.

MIAMI BEACH REDEVELOPMENT AGENCY
(A Component Unit of the City of Miami Beach, Florida)

Notes to Financial Statements

September 30, 2003

(d) Capital Assets

Capital assets, which include property and furniture and fixtures, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Agency as assets with an initial, individual cost of \$500 or more, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or at valuations, which approximate cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extends the life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. During the construction phase of capital assets interest of business-type activities is included as part of the capitalized value of the assets constructed.

Property and furniture and fixtures of the Agency are depreciated over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	30-60 years
Improvements	10-60 years
Furniture and fixtures	5 years

(e) Cash and Investments

Cash is composed of deposits with financial institutions. Investments are composed of U.S. Treasury obligations, corporate bonds, state or municipal obligations, commercial paper, and repurchase agreements. For the purpose of the statements of cash flows for the proprietary fund types, cash, and investments are short-term, highly liquid investments with an original maturity of three months or less.

In addition, GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires disclosure of investments at fair value and recognition of unrealized gain or losses, if material, for investments with remaining maturities of more than one year at the time of purchase. Investments with remaining maturities of one year or less at the time of purchase are recorded at amortized cost. The Agency calculated the unrealized gain or loss for investments with remaining maturities of more than one year at the time of purchase and determined that the amount of net unrealized loss is immaterial for the fiscal year ended September 30, 2003. Thus, the Agency records all investments at cost.

(f) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's estimates.

MIAMI BEACH REDEVELOPMENT AGENCY
(A Component Unit of the City of Miami Beach, Florida)

Notes to Financial Statements

September 30, 2003

(2) Cash and Investments

Cash and investments at September 30, 2003 include \$9,079,503 for the debt service funds which were held by the trustee and restricted for the payment of debt service costs related to the bond issues.

All deposits are held in banking institutions approved by the State Treasurer of the State of Florida, to hold public funds. Under the Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral equal to 50% to 125% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, United States governmental and agency securities, state or municipality government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280, Florida Statutes. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all cash and time deposits held by banks can be classified as category one credit risk as defined in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreement*, which means they are fully insured or collateralized with securities held by the Agency or by its agent in the Agency's name.

The Agency had adopted the City's ordinance designating the investments, which are allowable for its cash management activities. The authorized investments include direct U.S. Treasury obligations, corporate bonds, commercial paper, state or municipal obligations, and repurchase agreements. As of September 30, 2003, the level of credit risk of the Agency's investments is in Category 1 as defined by the GASB No. 3, *Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements*, which includes investments that are insured or registered or securities held by the Agency or its agent in the Agency's name.

The Agency's investments as of September 30, 2003 are as follows:

Repurchase agreements	\$	28,559,329
Money market funds		<u>17,364,402</u>
Total cash and investments	\$	<u><u>45,923,731</u></u>

MIAMI BEACH REDEVELOPMENT AGENCY
(A Component Unit of the City of Miami Beach, Florida)

Notes to Financial Statements

September 30, 2003

(3) Capital Assets

Capital asset activities for the year ended September 30, 2003 was as follows:

(a) Governmental Activities

	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 49,850,853	—	—	49,850,853
Construction in progress	<u>10,155,896</u>	<u>4,188,966</u>	<u>509,440</u>	<u>13,835,422</u>
Total capital assets, not being depreciated	<u>60,006,749</u>	<u>4,188,966</u>	<u>509,440</u>	<u>63,686,275</u>
Capital assets, being depreciated:				
Building	34,840,724	—	—	34,840,724
Land improvements	<u>2,508,051</u>	<u>234,501</u>	<u>—</u>	<u>2,742,552</u>
Total capital assets being depreciated	<u>37,348,775</u>	<u>234,501</u>	<u>—</u>	<u>37,583,276</u>
Less accumulated depreciation for:				
Building	2,032,376	580,679	—	2,613,055
Land improvements	<u>—</u>	<u>175,020</u>	<u>—</u>	<u>175,020</u>
Total accumulated depreciation	<u>2,032,376</u>	<u>755,699</u>	<u>—</u>	<u>2,788,075</u>
Total capital assets, being depreciated, net	<u>35,316,399</u>	<u>(521,198)</u>	<u>—</u>	<u>34,795,201</u>
Governmental activities capital assets, net	<u>\$ 95,323,148</u>	<u>3,667,768</u>	<u>509,440</u>	<u>98,481,476</u>

MIAMI BEACH REDEVELOPMENT AGENCY
(A Component Unit of the City of Miami Beach, Florida)

Notes to Financial Statements

September 30, 2003

(b) Business-Type Activities

	Balance September 30, 2002	Additions	Balance September 30, 2003
Land	\$ 3,003,281	—	3,003,281
Buildings and structures	12,855,648	—	12,855,648
	15,858,929	—	15,858,929
Less accumulated depreciation	1,456,909	428,522	1,885,431
Business-type activities capital assets, net	\$ <u>14,402,020</u>	<u>(428,522)</u>	<u>13,973,498</u>

(4) Due to Developer

Under the terms of an agreement dated February 12, 1979, the Agency designated South Shore Developers, Inc. (South Shore), to be the master developer of the redevelopment area subject to entering into a definitive agreement. The February 12, 1979 agreement provided for South Shore to advance \$2,150,000 to the Agency for operating expenses. On February 29, 1980, an amendment to the agreement was signed, which provided for refinancing by South Shore, to advance an additional \$500,000. The Agency secured certain of these advances with notes which provided South Shore with rights to purchase and lease certain parcels of real estate owned by the Agency in the event a definitive agreement was not reached. On July 17, 1980, the Agency de-designated South Shore as the master developer. This action caused South Shore to file a lawsuit seeking payment of the above notes, advances, and accrued interest, along with payment for reasonable attorney's fees, costs, and expenses as monetary relief. South Shore was also seeking, as nonmonetary relief, the right to purchase the lease of certain parcels of land within the redevelopment area.

On September 18, 1984, a final judgment pertaining to the litigation between South Shore and the Agency was rendered, in favor of South Shore, totaling \$3,646,134. The total judgment represented notes and advances of \$2,417,140, together with interest accrued through July 17, 1984 in the amount of \$1,228,994. The total judgment bears interest at the rate of 12% from July 17, 1984 until satisfied. The Agency believes that it has undertaken all of its obligations required for the abatement of the interest on the final judgment, which includes having the City Commission authorize the transfer of development rights to South Shore, covering certain parcels of land within the redevelopment area. The final judgment also entitled South Shore to recover reasonable attorneys' fees from the Agency, which were awarded on September 23, 1986, in an amount of \$365,000, together with prejudgment interest of \$104,513. The total awarded attorneys' fees, excluding prejudgment interest, bears interest at the rate of 12% per annum from September 23, 1986 until satisfied.

On July 1, 1985, the parties entered into a settlement stipulation which was approved by the court on July 8, 1985. This stipulation provides that the parties resolve this controversy and relinquish their claims in connection with the final judgment by entering into a contract of sale and a development agreement.

MIAMI BEACH REDEVELOPMENT AGENCY
(A Component Unit of the City of Miami Beach, Florida)

Notes to Financial Statements

September 30, 2003

Thereafter, a development agreement was entered into whereby South Shore agreed to perform certain conditions and develop the "Marina Upland" property in phases. The stipulation also provides a cap on the final judgment interest, whereby the obligation to pay interest on the unsatisfied portion of the final judgment, together with the principal portion of the final judgment, shall not exceed the purchase price of the Marina Upland parcels of approximately \$9,215,000 (based on a specified price of \$17 per square foot). These parcels were conveyed by the City to the Agency in 1985 and were recorded at a value of \$7,849,400, which represents \$9,215,000 less \$1,365,600 for a parking obligation.

During fiscal year 1996, the Agency entered into a development agreement with South Shore's successors, the Portofino Group, stipulating the following:

- The Agency would transfer title to the land (the property consists of a north and south parcel) to the Portofino Group in satisfaction of claims against the Agency;
- The Agency would purchase back from the Portofino Group its option to purchase the north parcel of the property;
- The Agency would reimburse the Portofino Group for the cost of providing permanent surface parking and bathroom facilities on the south parcel in the amount of \$1,275,000; and
- The Agency would pay the first \$1,000,000 toward environmental cleanup of the south parcel and would also loan the Portofino Group up to \$1,000,000 for the costs of the cleanup.

The agreement reached in fiscal year 1996 described above was terminated during August of 1997. A new agreement was approved by the City Commission in 1998.

Under the new agreement, the Agency is obligated to perform the following:

- The Agency will provide an additional 485 parking spaces for both the south and north parcels of the property. In addition, the Agency will provide for laundry and bathroom facilities on the north parcel of the property;
- The Agency will provide valet service for the Marina during construction on the north parcel of the property;
- The Agency will be responsible for the seawall along the property;
- The Agency will release a utility easement in favor of the City across the "Diamond C Parcel;"
- The Agency will be responsible for improving the "Alaska Parcel" for temporary parking for the construction on the north parcel of the property;
- The Agency will provide for use of sidewalk and the westernmost lane of Alton Road to be used as staging areas for construction on the north parcel of the property; and
- The Agency will remove a pump station on the north parcel of the property.

The amount classified as "due to developer" represents the fair value of the cost that the Agency is legally required to perform based on the settlement agreement. As of September 30, 2003, the estimated cost of such performance was approximately \$5.0 million.

MIAMI BEACH REDEVELOPMENT AGENCY
(A Component Unit of the City of Miami Beach, Florida)

Notes to Financial Statements

September 30, 2003

(5) Tenant Leases

- (a) The Agency serves as the lessor for the tenants leasing various retail facilities. The tenant leases are considered operating leases which expire at various dates through fiscal year 2015. Future minimum lease payments to be received under the operating leases at September 30, 2003 are as follows:

September 30:	
2004	\$ 656,374
2005	656,374
2006	656,374
2007	656,374
2008	648,571
2009 – 2013	1,983,539
2014 – 2015	198,884
	<u>\$ 5,456,490</u>

- (b) The Agency is the lessor in an agreement with a development company in which the Agency leases the land on which the Loews Hotel is located. The lease is an operating lease, which commenced on December 24, 1998, and expires on December 24, 2098. Future minimum lease payments to be received under the operating leases at September 30, 2003, are as follows:

September 30:	
2004	\$ 500,000
2005	500,000
2006	500,000
2007	500,000
2008	500,000
2009 – 2099	45,125,000
	<u>\$ 47,625,000</u>

(6) Operating Leases

(a) Submerged Land Lease

The State of Florida Department of Natural Resources (the State) issued a 25-year sovereignty submerged land lease to the City on January 21, 1986, covering Biscayne Bay underlying the Miami Beach Marina Project. The annual lease fee is determined annually by the State and is based on 1,648,911 square feet.

Lease expense for the year ended September 30, 2003 was \$142,746.

(b) Miami Beach Marina Lease

On June 24, 1983, the City and the Agency entered into a 30-year net operating lease (the Lease) expiring on December 31, 2014, with Carner-Mason Associates, Ltd. (Carner-Mason) to construct,

MIAMI BEACH REDEVELOPMENT AGENCY
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September 30, 2003

develop and operate the Miami Beach Marina (the Marina). The Lease provides for three 10-year renewal options at the same lease terms. Rent under the Lease equals the minimum annual guaranteed rent, as defined in the Lease. The Lease further requires the lessee to pay all operating and maintenance expenses of the Marina. As provided by the third amendment to the Lease, dated May 27, 1997, the operating lease is now held by the Miami Beach Marina Associates, Ltd.

The following summarizes the approximate minimum annual guaranteed rent payments to be received under the Marina lease:

September 30:	
2004	\$ 120,000
2005	120,000
2006	120,000
2007	120,000
2008	120,000
2009 – 2013	600,000
2014 – 2015	150,000
	<hr/>
	\$ 1,350,000
	<hr/>

(7) Tax-Increment Revenue Bonds

On January 31, 1990, the Agency issued \$7,000,000 in tax-increment bonds. These bonds are secured by a pledge of the tax-increment revenue amounts received by the Agency from the City and Miami-Dade County on the South Pointe increment district. The bonds were issued with an interest rate of 9.125% payable semiannually on each June 1 and December 1, and will mature serially through December 1, 2004. The bonds are subject to a trust indenture, which requires that the annual debt service requirement be fully funded upon receipt of the tax-increment revenue amounts.

On January 1, 1994, the Agency issued \$25,000,000 in tax-increment bonds. These bonds are secured by a pledge of the tax-increment revenue amounts received by the Agency from the City and Miami-Dade County, Florida on the City Center/Historic Convention Village Redevelopment and Revitalization Area. The bonds were issued with interest rates of 3.25% to 5.875% payable semiannually on each June 1 and December 1, and will mature serially through December 1, 2022. The bonds are subject to a trust indenture which requires that the annual debt service requirements be fully funded upon receipt of the tax-increment revenue amounts and that any shortage shall be funded based on the supplemental revenue resolution which requires that the City fund the deficiency from the resort tax collected by the City.

On August 1, 1996, the Agency issued \$37,500,000 (Series 1996A) and \$7,705,000 (Series 1996B) in tax-increment bonds. These bonds are secured by a lien upon and pledge of the pledged funds, which include (a) the net trust fund revenue received by the Agency from the City Center/Historic Convention Village Redevelopment and Revitalization Area, (b) the portion of the proceeds of the City's municipal resort tax levied and collected by the City and received by the trustee, and (c) moneys and investments in the funds and accounts created under the resolution. The Series 1996A bonds were issued with interest rates of 7.86% to 8.95% payable semiannually on each June 1 and December 1, and will mature serially

MIAMI BEACH REDEVELOPMENT AGENCY
(A Component Unit of the City of Miami Beach, Florida)

Notes to Financial Statements

September 30, 2003

through December 1, 2022. The Series 1996B bonds were issued with interest rates of 4% to 6.35% payable semiannually on each June 1 and December 1, and will mature serially through December 1, 2022.

The bonds are subject to a trust indenture, which requires that annual debt service requirements be fully funded upon receipt of trust fund revenue and supplemental revenue, and that any shortage shall be funded based on the supplemental revenue resolution.

On July 1, 1998, the Agency issued \$29,105,000 (Series 1998A) and \$9,135,000 (Series 1998B) in tax-increment bonds. These bonds are secured by a lien upon and pledge of the pledged funds, which include (a) the net trust fund revenue received by the Agency from the City Center/Historic Convention Village Redevelopment and Revitalization Area, (b) the portion of the proceeds for the City's municipal resort tax levied and collected by the City and received by the trustee, and (c) moneys and investments in the funds and accounts created under the resolution. The Series 1998A bonds were issued with interest rates of 6.70% to 7.00% payable semiannually on each June 1 and December 1, and will mature serially through December 1, 2022. The Series 1998B bonds were issued with interest rates of 3.60% to 5.20% payable semiannually on each June 1 and December 1, and will mature serially through December 1, 2022. The bonds are subject to a trust indenture, which requires that annual debt service requirements be fully funded upon receipt of trust fund revenue and supplemental revenue, and that any shortage shall be funded based on the supplemental revenue resolution.

The combined annual debt service costs are presented below:

	<u>Principal</u>	<u>Interest</u>	<u>Total requirement</u>
Years ending September 30:			
2004	\$ 3,070,000	6,848,025	9,918,025
2005	3,285,000	6,626,663	9,911,663
2006	2,645,000	6,427,567	9,072,567
2007	2,825,000	6,251,826	9,076,826
2008	3,015,000	6,057,899	9,072,899
2009 – 2013	18,630,000	26,743,800	45,373,800
2014 – 2018	26,495,000	18,888,551	45,383,551
2019 – 2023	37,995,000	7,379,905	45,374,905
Total	<u>\$ 97,960,000</u>	<u>85,224,236</u>	<u>183,184,236</u>

MIAMI BEACH REDEVELOPMENT AGENCY
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September 30, 2003

(8) Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2003 was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Bonds payable:					
Tax increment revenue bonds	\$ 100,830,000	—	2,870,000	97,960,000	3,070,000
Total bonds payable	100,830,000	—	2,870,000	97,960,000	3,070,000
Due to developer	5,905,146	—	940,882	4,964,264	2,378,889
Governmental activity long-term liabilities	<u>\$ 106,735,146</u>	<u>—</u>	<u>3,810,882</u>	<u>102,924,264</u>	<u>5,448,889</u>
Business-type activities:					
Tenant deposits	\$ 55,360	2,080	—	57,440	—
Business-type activity long-term liabilities	<u>\$ 55,360</u>	<u>2,080</u>	<u>—</u>	<u>57,440</u>	<u>—</u>

(9) Tax-Increment Revenue

The Agency is primarily funded through tax-increment revenue. This revenue is computed by applying the operating tax rate for the City and Miami-Dade County, Florida, (the County) multiplied by the increased value of property in the district over the base property value minus 5%. Both the City and the County are required to fund this amount annually without regard to tax collections or other obligations.

(10) Commitments

City Center/Historic Convention Village Redevelopment District

The Agency committed to provide the developers of the two hotels, the Loews Miami Beach Hotel (the Loews) and the Royal Palm Crowne Plaza Resort Hotel (the Royal Palm), certain monetary incentives. The City's request for proposal for the development and construction of the two hotels originally indicated a \$60 million incentive of which \$10 million was designated for the development of an African-American owned hotel, the Royal Palm. The Agency issued approximately \$108 million in tax increment revenue bonds of which \$98 million was used for the following:

- The acquisition of the property for the Loews and Royal Palm hotels;
- The completion of the development and construction of public areas of the Loews; and

MIAMI BEACH REDEVELOPMENT AGENCY
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Notes to Financial Statements

September 30, 2003

- The completion of the development and construction of a public parking garage accessible to each of the aforementioned hotels, providing a total of 800 parking spaces.

On September 20, 1996, an agreement was finalized with one developer for the construction of the Loews. The development of the Loews and the parking garage was completed in December 1998. The 424 rooms Royal Palm Hotel broke ground in August 1998, which was completed by the end of November 2001. As of September 30, 2003, the Agency has an outstanding commitment of approximately \$8.3 million, which will be used as follows:

- To construct a boardwalk for the two hotels;
- To provide sidewalk and streetscape improvements; and
- To develop and construct the cultural center facility.

(11) Related Party Transactions

The Agency obtains certain managerial and administrative services from the City in accordance with a management agreement. The Agency incurred \$828,000 of management-fee expense under this agreement for each of the years ended September 30, 2003.

(12) Interfund Balances and Transfers

Interfund balances at September 30, 2003 consisted of the following:

Governmental funds:

Due from the primary government to:

General fund	\$ 255,909
Total due from the primary government	\$ 255,909

Due to the primary government from:

General fund	\$ 34,400
Capital projects South Pointe	399,117
Capital projects City Center	242,794
Total due to the primary government	\$ 676,311

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(A Component Unit of the City of Miami Beach, Florida)

Notes to Financial Statements

September 30, 2003

Interfund transfers for the year ended September 30, 2003 consisted of the following:

Governmental funds:

Transfers from the general fund to:

Debt service South Pointe	\$ 857,050
Debt service City Center	13,654,926
Capital projects South Pointe	1,072,141
Capital projects City Center	3,265,342
Total transfers from the general fund	<u>\$ 18,849,459</u>

Transfers from the capital projects City Center to:

General Fund	\$ 1,790,316
Total transfers from the capital projects City Center	<u>\$ 1,790,316</u>

Transfers to the general fund from:

Primary government	\$ 2,015,326
Total transfer to the general fund	<u>\$ 2,015,326</u>

(13) Receivables

Receivables at September 30, 2003 for the Agency's governmental and enterprise funds, including the applicable allowance for uncollectible accounts are as follows:

	Governmental activities				Totals
	General	Debt Service South Pointe	Debt Service City Center	Capital Projects City Center	
Receivables:					
Interest	\$ —	670	3,311	3,596	7,577
Rent	41,667	—	—	—	41,667
Total receivables	<u>\$ 41,667</u>	<u>670</u>	<u>3,311</u>	<u>3,596</u>	<u>49,244</u>

MIAMI BEACH REDEVELOPMENT AGENCY
(A Component Unit of the City of Miami Beach, Florida)

Notes to Financial Statements

September 30, 2003

	Business-type activities		
	<u>Parking Fund</u>	<u>Leasing Fund</u>	<u>Total</u>
Receivables:			
Rents	\$ —	495,206	495,206
Accounts	<u>76,322</u>	<u>1,697</u>	<u>78,019</u>
Gross receivables	76,322	496,903	573,225
Less allowance for uncollectible	<u>—</u>	<u>152,035</u>	<u>152,035</u>
Net total receivables	<u>\$ 76,322</u>	<u>344,868</u>	<u>421,190</u>

(14) Excess of Expenditures over Appropriations

For the year ended September 30, 2003, expenditures exceeded appropriations in the economic environment category by \$2,708,308 and the general government by \$214,373. These amounts are attributed to payments made to developer, legal fees paid to outside counsel, and payments made to the State of Florida for a marina submerged land lease. These overexpenditures were funded by resources not used from transfer amounts that were budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

MIAMI BEACH REDEVELOPMENT AGENCY
(A Component Unit of the City of Miami Beach, Florida)

Budgetary Comparison Schedule
General Fund

Year ended September 30, 2003

	Original and final budgeted amounts	Actual amounts	Variance with final budget- positive (negative)
Revenues:			
Tax increment	\$ 23,969,537	23,705,214	(264,323)
Rent	1,172,160	1,455,891	283,731
Interest	46,942	25,995	(20,947)
Other	92,000	498	(91,502)
Total revenues	<u>25,280,639</u>	<u>25,187,598</u>	<u>(93,041)</u>
Expenditures:			
General government	1,000,000	1,214,373	(214,373)
Economic environment	1,229,747	3,938,055	(2,708,308)
Interest	910,098	910,098	—
Total expenditures	<u>3,139,845</u>	<u>6,062,526</u>	<u>(2,922,681)</u>
Excess of revenues over expenditures	<u>22,140,794</u>	<u>19,125,072</u>	<u>(3,015,722)</u>
Other financing sources (uses):			
Transfers in	1,900,000	3,805,642	1,905,642
Transfers out	(24,040,794)	(18,849,459)	5,191,335
Total other financing (uses) sources	<u>(22,140,794)</u>	<u>(15,043,817)</u>	<u>7,096,977</u>
Net change in fund balance	—	4,081,255	4,081,255
Fund balance at beginning of year	<u>19,457,474</u>	<u>19,457,474</u>	<u>—</u>
Fund balance at end of year	<u>\$ 19,457,474</u>	<u>23,538,729</u>	<u>4,081,255</u>

See accompanying notes to required supplementary information.

MIAMI BEACH REDEVELOPMENT AGENCY

Notes to Budgetary Comparison Schedule

September 30, 2003

(1) Budgetary Policy

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The Agency uses appropriations in the capital budget to authorize the expenditure of funds for various capital projects. Capital appropriations, unless modified or rescinded, remain in effect until the completion of each project.

At least 65 days prior to the beginning of the fiscal year, the City Commission, which also serves as the Agency's Board of Directors, is presented with a proposed budget. The proposed budget includes anticipated expenditures and the means of financing them. After Commission review and public hearings, the budget is adopted prior to October 1st. The budget is approved by district and fund: South Pointe District and City Center District. Management may transfer amounts between line items within a fund as long as the transfer does not result in an increase in the fund's budget. Increases to funds budgets require Commission approval.

Budgets are considered a management control and planning tool and as such are incorporated in the accounting system of the Agency. Budgets are adopted on the modified accrual basis of accounting with the inclusion of encumbrances as reductions in the budgetary amount available. Appropriations not encumbered lapse at year-end. Outstanding encumbrances at year-end are reported as a reservation of fund equity.

OTHER REPORTS



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**Independent Auditors' Report on Compliance and
on Internal Control over Financial Reporting Based
on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

The Board Members of the
Miami Beach Redevelopment Agency:

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Miami Beach Redevelopment Agency (the Agency), a component unit of the City of Miami Beach, Florida, as of and for the year ended September 30, 2003, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated January 9, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board members and management of the Agency, the Auditor General of the State of Florida, the Comptroller General of the United States, and the



audit committee of the City of Miami Beach, Florida, and is not intended to be and should not be used by anyone other than those specified parties.

KPMG LLP

January 9, 2004



KPMG LLP

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**Management Letter in Accordance with the
*Rules of the Auditor General of the State of Florida***

The Board Members of the
Miami Beach Redevelopment Agency:

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Miami Beach Redevelopment Agency (the Agency) as of and for the year ended September 30, 2003, and have issued our report thereon dated January 9, 2004, which collectively comprise the Agency's basic financial statements.

We have issued our independent auditors' report dated January 9, 2004 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Disclosures in that report, if any, should be considered in conjunction with this management letter.

In planning and performing our audit of the basic financial statements of the Agency for the year ended September 30, 2003, we considered its internal control structure in order to determine our audit procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which governs the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Additionally, our audit was conducted in accordance with Chapter 10.550, *Rules of the Auditor General*. Those rules (Section 10.554(l)(g)l.a.) require that we address in the management letter, if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs, whether or not inaccuracies, shortages, defalcations, fraud, and/or violations of laws, rules, regulations, and contractual provisions reported in the preceding annual financial audit report have been corrected. We noted no inaccuracies, irregularities, shortages, defalcations, fraud and/or violations of laws, rules, regulations, and contractual provisions disclosed in the preceding annual report.

The *Rules of the Auditor General* (Section 10.554(l)(g)l.b.) require that we address in the management letter, if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. The recommendations made in the preceding annual financial audit report have been corrected.



With respect to the basic financial report for fiscal year 2003 required to be filed with the State of Florida Department of Financial Services pursuant to Section 218.32, Florida Statutes, the Agency does not file a separate report with the State of Florida Department of Financial Services. The financial operations of the Agency are included in the basic financial statements of City of Miami Beach, Florida for the year ended September 30, 2003 and as such shall be included in the report filed by City of Miami Beach, Florida.

The *Rules of the Auditor General* (Section 10.554(l)(g)6.a.), state that a management letter shall include a statement as to whether or not a unit of local government is in a state of financial emergency as a consequence of conditions described in Section 218.503(1), Florida Statutes. Section 218.503(1) states that a local governmental entity is in a state of financial emergency when any of the following conditions occur:

- a. Failure, within the same fiscal year in which due, to pay short-term loans from banks or failure to make bond debt service payments when due.
- b. Failure to transfer at the appropriate time, due to lack of funds: (1) taxes withheld on the income of employees; or (2) employer and employee contributions for (a) federal social security, or (b) any pension, retirement, or benefit plan of an employee.
- c. Failure for any one period to pay, due to lack of funds: (1) wages and salaries owned to employees; or (2) retirement benefits owned to former employees.
- d. An unreserved or total fund balance or retained earnings deficit for which sufficient resources of the local government entity are not available to cover the deficit for two successive years.
- e. Noncompliance of the local government retirement system with actuarial conditions provided by law.

Section 218.503(2) states that local government entity shall notify the Governor and the Legislative Auditing Committee when one or more of the conditions specified in Section 218.503(1), Florida Statutes have occurred or will occur if action is not taken to assist the local governmental entity.

Nothing came to our attention that caused us to believe that the Agency is or during the fiscal year was in a state of financial emergency as a consequence of conditions in Section 218.503(1), Florida Statutes.

The *Rules of the Auditor General* (Section 10.554(l)(g)4.) require disclosure in the management letter of the following matters if not already addressed in the auditors reports on compliance and internal controls or schedule of findings and questioned costs: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (for example, the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. No such conditions were noted during the audit.

As required by the *Rules of the Auditor General* (Sections 10.554(g)(6)c. and 10.556(8)), we applied financial condition assessment procedures. It is management's responsibility to monitor the Agency's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

The *Rules of the Auditor General* (Section 10.554(l)(g)(5.)) states that the management letter shall include the name or official title and legal authority for the primary government and each component unit of the

reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. Disclosure is made in note 1 to the Agency's basic financial statements.

The *Rules of the Auditor General* (Section 10.554(l)(g)2.), state that a management letter shall include a statement as to whether or not a local governmental entity complied with Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, nothing came to our attention that caused us to believe that the Agency did not comply with Section 218.415, Florida Statutes, relating to local governmental investment policies.

The *Rules of the Auditor General* (Section 10.554(l)(g)3.), state that a management letter shall include recommendations to improve the local government entity's present financial management, accounting procedures and internal accounting controls. There were no recommendations made in the current year.

This report is intended for the information and use of the board members and management of the Agency, the audit committee, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than those specified parties.

KPMG LLP

January 9, 2004

